

RESOLUTION NO. SARDA 19-

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE TEMECULA REDEVELOPMENT AGENCY APPROVING MODIFICATIONS TO THE CONSTRUCTION AND TERM LOAN AGREEMENT, DATED JULY 1, 1998, RELATING TO THE MISSION VILLAGE APARTMENTS PROJECT AND THE TAKING OF RELATED ACTIONS

THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE TEMECULA REDEVELOPMENT AGENCY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Recitals. The Board of Directors (this “**Board**”) of the Successor Agency to the Temecula Redevelopment Agency (the “**Successor Agency**”) hereby finds, determines and declares that:

(a) The Redevelopment Agency of the City of Temecula (the “**Former Agency**”) was a duly constituted redevelopment agency pursuant to provisions of the Community Redevelopment Law (the “**Redevelopment Law**”) set forth in Section 33000 et seq. of the Health and Safety Code (“**HSC**”) of the State of California (the “**State**”).

(b) Under the Redevelopment Law, the Former Agency was authorized, among other things, to provide assistance to the development of affordable housing projects.

(c) Pursuant to AB X1 26 (which became effective in June 2011), and the California Supreme Court’s decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal. 4th 231 (2011), the Former Agency was dissolved as of February 1, 2012, and the Successor Agency was constituted as the successor entity to the Former Agency.

(d) Pursuant to HSC Section 34172, all property tax revenues which would have constituted “tax increment” allocable to the Former Agency are now deposited into the Redevelopment Property Tax Trust Fund (the “**RPTTF**”) established and maintained by the Riverside County Auditor-Controller.

(e) Pursuant to HSC Section 34175(b), all assets of the Former Agency transferred to the Successor Agency by operation of law; provided, that pursuant to HSC Section 34176 and Resolution No. 12-11, adopted on January 24, 2012, by the City Council of the City of Temecula (the “**City**”), the City elected to assume the housing functions of the Former Agency (in such capacity, the “**Housing Successor**”) and, consequently, housing assets approved on the Housing Asset List (defined below) are transferred to the Housing Successor; however, contractual obligations payable from tax increment (including but not limited to obligations payable from tax increment deposited into the Former Agency’s Low and Moderate Income Housing Fund) remains to the obligations of the Successor Agency, payable from the RPTTF.

(f) Temecula Gardens, L.P. (“**Temecula Gardens I**”), an affiliate of Affirmed Housing Group, Inc. (“**Affirmed**”), is the owner of a 76-unit multifamily apartment complex located at 28493 Pujol Street in the City, known as Mission Village Apartments (the “**Project**”).

(g) The Project is located on land (the “**Land**”) leased by the Former Agency to Temecula Gardens I pursuant to a Ground Lease, dated as of July 1, 1998 (the “**Ground Lease**”).

(h) In 1998, to assist with the financing of the acquisition and construction of the Project, the Former Agency entered into a Loan Agreement, dated as of July 1, 1998 (the “**Bank Loan Agreement**”), by and between the Former Agency and Washington Mutual Bank, FA (which has since been succeeded by JPMorgan Chase Bank, N.A.) (the “**Bank**”).

(i) Pursuant to the Bank Loan Agreement, the Former Agency incurred a loan in the principal amount of \$5,800,000 (the “**1998 Bank Loan**”).

(j) Proceeds from the 1998 Bank Loan were loaned by the Former Agency to Temecula Gardens I pursuant to a Construction and Term Loan Agreement, dated July 1, 1998 (the “**Agency Loan Agreement**”). Repayment by Temecula Gardens I under the Agency Loan Agreement, together with moneys in the Pledge Fund (defined below), are used to pay debt service on the 1998 Bank Loan.

(k) Under the Agency Loan Agreement, the Former Agency agreed to annually, until 2027, deposit \$305,000 (the “**Pledged Fund Requirement**”) into a fund (the “**Pledge Fund**”) held by the Bank, and moneys in the Pledge Fund are available to the Bank for monthly withdrawals to pay amounts due on the 1998 Bank Loan.

(l) In consideration for the Former Agency’s assistance for the Project, Temecula Gardens I entered into a Regulatory Agreement, dated as of July 1, 1998 (the “**Agency Regulatory Agreement**”), which requires that, among other matters related to the Project, until July 17, 2048, units in the Project must be rented to low or very low income persons and families at affordable rent.

(m) Pursuant to HSC Section 34176(a)(2), the City prepared a housing asset list (the “**Housing Asset List**”), listing all of the Former Agency’s housing assets to be transferred to the Housing Successor and submitted it to the State Department of Finance (the “**DOF**”) for approval. The DOF issued a letter dated July 3, 2013, approving the Housing Asset List, with certain modifications.

(n) Among the items on the Housing Asset List approved to be transferred to the Housing Successor are the Former Agency’s title to and interest in the Land (and, accordingly, the Former’s Agency’s rights, obligations and interest under the Ground Lease) and the Former Agency’s rights and interests under the Agency Regulatory Agreement. (The obligation with respect to the Pledge Fund Requirement remains with the Successor Agency, for which the Successor Agency lists on its Recognizable Obligation Payment Schedules (“**ROPS**”) as an enforceable obligation payable from RPTTF moneys.)

(o) Affirmed is undertaking a rehabilitation project of the Project (the “**Rehabilitation**”).

(p) In that connection, Affirmed is seeking an allocation of low-income housing tax credits from the California Tax Credit Allocation Committee (the “**Tax Credits**”) and is

proposing a financing transaction (the “**Rehabilitation Financing**”), involving one or more new notes (collectively, the “**New Note**”) to be purchased by a bank, the proceeds of which will be used to: (i) effect a prepayment of the 1998 Bank Loan, and (ii) provide funds for the Rehabilitation. The New Note will be issued by an agency other than the Successor Agency and the Housing Successor.

(q) To obtain the Tax Credits and the Rehabilitation Financing, Affirmed has indicated that it is necessary to have the Project transferred from Temecula Gardens I to a new limited partnership, Temecula Gardens II L.P. (“**Temecula Gardens II**”) (in which a Tax Credit investor will have a significant ownership interest).

(r) Affirmed has presented the form of an Assignment, Assumption and Modification of Loan Agreement (the “**Modification Agreement**”), providing for: (i) Temecula Garden II’s assumption of the Temecula Garden I’s rights and interests under the Agency Loan Agreement, (ii) the continuation of the Pledge Fund Requirement at a decreased amount of \$295,000, for the application of the Pledge Fund toward the payments due on the New Note, and (iii) the termination of certain other provisions pertaining to Successor Agency obligations. (Temecula Gardens I and Temecula Gardens II will enter into separate agreements with the Housing Successor with respect to modifications to the Ground Lease, the Regulatory Agreement and other documents in connection with the Rehabilitation Financing.)

(s) The decrease of the Pledge Fund Requirement from \$305,000 to \$295,000 reduces the liabilities payable from the RPTTF under the ROPS, and the Successor Agency expects that would result in an increase in the RPTTF residuals available to taxing entities, after payment of enforceable obligations.

(t) HSC Section 34180(e) provides that, at the direction of the Oversight Board of the Successor Agency, the Successor Agency may amend agreements with a private party, if the amendment would reduce liabilities and increase net revenues to taxing entities, and is in the best interests of the taxing entities.

Section 2. Approval of Agreement. The Modification Agreement, in the form attached hereto as Attachment A, is hereby approved. Each of the Chair of this Board (or in the Chair’s absence, the Vice Chair) and the Executive Director of the Successor Agency (each, an “**Authorized Officer**”), acting individually, is hereby authorized to execute and deliver, for and in the name of the Successor Agency, the Modification Agreement, in substantially such form, with changes therein as the Authorized Officer executing the same may approve (such approval to be conclusively evidenced by the execution and delivery thereof); provided that such execution and delivery shall occur after the effectiveness of the Oversight Board Resolution.

Section 3. Request to Oversight Board for Approval. The Countywide Oversight Board for the County of Riverside (which is the Oversight Board with jurisdiction over the Successor Agency) is hereby requested to adopt a resolution (the “**Oversight Board Resolution**”) to: (a) make a finding and determination for the purposes of HSC Section 34181(e), that the Successor Agency’s execution and delivery of the Modification Agreement are in the best interests of the taxing entities, and (b) approve the Successor Agency’s execution and delivery of the Modification Agreement.

Section 4. **Other Acts.** The Chair, the Vice Chair, the Executive Director and all other officers of the Successor Agency are hereby authorized, jointly and severally, to do all things, including the execution and delivery of documents and instruments, which they may deem necessary or proper to effectuate the purposes of this Resolution and the Modification Agreement. The Successor Agency Board Secretary is authorized to attest to the Successor Agency officers' signatures to any such document or instrument.

Section 5. **No Further NEPA or CEQA Review Required.** On February 19, 2019, the United States Department of Housing and Urban Development approved a Determination of Categorical Exclusion (subject to 58.5) pursuant to 24 CFR 58.5 for the "rehabilitation and rental of a 76-unit apartment to benefit qualified low-income households upon completion" at 28493 Pujol Street in Temecula, California. No further environmental review is required under the National Environmental Protection Act or the California Environmental Quality Act.

Section 6. **Certification.** The Board Secretary shall certify to the adoption of this Resolution.

PASSED, APPROVED, AND ADOPTED by the Board of Directors of the Successor Agency to the Temecula Redevelopment Agency this 13th day of August, 2019.

Michael S. Naggar, Chair

ATTEST:

Randi Johl, Secretary

[SEAL]

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss
CITY OF TEMECULA)

I, Randi Johl, Secretary of the Successor Agency to the Temecula Redevelopment Agency, do hereby certify that the foregoing Resolution No. SARDA 19- was duly and regularly adopted by the Board of Directors of the Successor Agency to the Temecula Redevelopment Agency at a meeting thereof held on the 13th day of August, 2019, by the following vote:

AYES: BOARD MEMBERS:

NOES: BOARD MEMBERS:

ABSTAIN: BOARD MEMBERS:

ABSENT: BOARD MEMBERS:

Randi Johl, Secretary

ATTACHMENT A

Assignment, Assumption and Modification of Loan Agreement
(substantial final form)

(see attached)